

Message Text

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PAGE 01 DHAHRA 00621 010518Z
ACTION NEA-10

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TO USDOC WASHDC
INFO SECSTATE WASHDC 5466
AMEMBASSY ATHENS
AMEMBASSY JIDDA
USLO RIYADH

UNCLAS DHAHRAN 0621

E.O. 11652: N/A

TAGS: BTIO, EIND, SA

SUBJECT: INVESTMENT OPPORTUNITY -- SAND-LIME BRICK PLANT

1. CONGEN HAS BEEN APPROACHED BY PROMINENT LOCAL SAUDI, SULEIMAN AL-QARAWI, WHO SEEKS JOINT VENTURE PARTNER TO CONSTRUCT SAND-LIME BRICK PLANT. AL-QARAWI WAS ENCOURAGED BY ARABIAN AMERICAN OIL COMPANY'S LOCAL INDUSTRIAL DEVELOPMENT DEPARTMENT (AN AID-LIKE AGENCY OF THE OIL COMPANY) TO SEEK CONGEN'S ASSISTANCE IN IDENTIFYING AMERICAN PARTNER TO IMPLEMENT PROJECT. AL-QARAWI PRESENTED AN ARAMCO-FINANCED PREFEASABILITY STUDY (SEE PARAS 2 & 3) IN SUPPORT OF HIS INTENTION TO BUILD PLANT. STUDY WAS PREPARED BY CALSILOX, INT'L LICENSING AND ENGINEERING DEPT OF LOEVESTEIN GROEP NV, PO BOX 78, GORINCHEM, THE NETHERLANDS.

2. CALSILOX'S STUDY CALLS FOR PLANT WITH CAPACITY TO PRODUCE 59,058 CUBIC METERS OF BRICK PER SHIFT YEAR USING 36,000 TONS OF LIME. PLANT WOULD BE EQUIPPED WITH TWO PRESSES AND OUTPUT IS FORECAST TO COVER 25-40 PERCENT OF PROJECTED DEMAND IN EASTERN PROVINCE BY 1980 -- THE DATE FORECAST WHEN BRICK FACTORY WOULD BE IN PRODUCTION. STUDY SUGGESTS A 34 PERCENT RETURN ON OWNER-INVESTED CAPITAL ALTHOUGH ARAMCO ENGINEER REVIEWING STUDY COMMENTS THAT ESTIMATE IS PROBABLY ON OPTIMISTIC SIDE. SUITABLE DEPOSITS OF LIME HAVE BEEN TESTED
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AT SITE NEAR AL-HASA OASIS AND RAW MATERIAL COULD EITHER BE TRUCKED OR RAILED TO PROPOSED FACTORY SITE NEAR DHAHRAN WHERE AMPLE SUPPLIES OF NATURAL GAS ARE AVAILABLE TO HEAT KILNS USED IN BRICK-MAKING OPERATION. ARAMCO EXPERT, WHO IS ASSISTING AL-QARAWI IN FINDING FOREIGN JOINT-VENTURE PARTNER PROJECT, OBSERVES THAT CALSILOX STUDY IS TO BE JUDGED AS PREFEASABILITY STUDY AND JOINT-VENTURE PARTNER WILL NEED TO LOOK AT COSTS

AND SELECTION OF EQUIPMENT BEFORE MOVING FURTHER WITH PROJECT.

3. POST POUCHING PERTINENT SECTIONS OF CALSILOX STUDY TO USDOC. ONE COPY TO CAGNE (EDMONDS) AND TWO COPIES TO OFFICE OF INTERNATIONAL INVESTMENT (INOUSSA).

4. SAUDI SEEKING INVESTMENT PARTNER HAS MOVED PROJECT FORWARD WITH ASSISTANCE OF ARAMCO. COMPANY, CALLED EASTERN PROVINCE SAND-LIME BRICK COMPANY, HAS BEEN LICESED (A KEY STEP IN ESTABLISHING AN INDUSTRIAL VENTURE IN SAUDI ARABIA) AND APPLICATION FOR LOAN HAS BEEN SUBMITTED TO SAUDI INDUSTRIAL DEVELOPMENT FUND (SIDF). THERE IS EVERY REASON TO BELIEVE SIDF LOAN WILL BE GRANTED. (FYI: SIDF LOANS ARE FOR 50 PERCENT OF AN INDUSTRIAL PROJECT AND ARE GRANTED WITH TWO PERCENT INTEREST RATE). FINANCING FOR REMAINDER OF PROJECT (ESTIMATED, IN TOTAL, TO COST US \$12 MILLION) WILL BE IN FORM OF CAPITAL INVESTMENT BY AL-QARAWI AND FOREIGN PARTNER.

5. SAND-LIME BRICK MANUFACTURING IO HAS ALREADY BEEN CIRCULATED IN EUROPE AND HAS RECEIVED FAVORABLE RESPONSES FROM SWISS, GERMAN, AND UK COMPANIES. AL-QARAWI, HOWEVER, HAS STRONG PREFERENCE FOR AMERICAN PARTNER AND HAS ASKED CONGEN FOR ASSISTANCE. AS INTERNATIONAL MAIL SERVICE TO EASTERN PROVINCE IS SLOW AND CLUMBERSOME, POST SUGGESTS THAT US COMPANIES INTERESTED IN THIS IO WRITE DIRECTLY TO ECONOMIC COMMERCIAL SECTION OF AFRICAN

CONSULATE GENERAL, APO NEW YORK, 09616. POST WILL PASS REPLIES IMMEDIATELY TO AL-QARAWI. COMPANIES REPLYING TO IO ARE ASKED UNCLASSIFIED

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TO INCLUDE EXTRA COPY OF THEIR LETTER FOR POST'S FILES.

6. POST WISHES USDOC TO GIVE THIS IO SPECIAL HANDLING. OUR UNDERSTANDING IS THAT US COMPANIES FAVOR CLAY BRICK-MAKING PROCESS OVER SAND-LIME PROCESS AND, THEREFORE IO MAY SPARK ONLY MODICUM OF INTEREST IN US BRICK-MAKING INDUSTRY. IF THAT PROVES TO BE CASE, THEN CONGEN WISHES TO ADVISE MR. AL-QARAWI ACCORDINGLY, AND AS QUICKLY AS POSSIBLE, SO THAT HE CAN FOLLOW UP OFFERS MADE BY EUROPEAN COMPANIES. WHEN SEEKING US INTEREST IN THIS IO, USDOC MAY WISH TO DISCUSS IT WITH PULLMAN SWINDELL EXECUTIVE FAMILIAR WITH PROJECT. DR. KESHAV PRABHU, SWINDELL VICE PRESIDENT FOR INTERNATIONAL MATTERS, HAS TAKEN INTEREST IN PROJECT PRIMARILY FROM STANDPOINT OF HIS COMPANY BECOMING THE EQUIPMENT SUPPLIER FOR IO PROJECT. PRABHU, WHO'S PITTSBURGH TELEPHONE NUMBER IS (412) 562-7133, IS THE ONE, WE UNDERSTAND, WHO PUT AL-QARAWI IN TOUCH WITH UK FIRM INTERESTED IN PROJECT (SEE PARA 5). WORKING CLOSELY WITH SWINDELL EXECUTIVE COULD BE USEFUL IN IDENTIFYING US COMPANIES WHO COULD BE INTERESTED

IN THIS IO AS WELL AS SERVE TO SECURE EXPORT ORDER FOR U.S.
COMPANY.
BUSHNELJ

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